CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

November 14, 2001

H.R. 2871
Export-Import Bank Reauthorization Act of 2001

As ordered reported by the House Committee on Financial Services on October 31, 2001

SUMMARY

H.R. 2871 would extend the authority of the Export-Import Bank of the United States (Eximbank) to enter into new direct loan obligations and new guaranteed loan commitments through 2005 and would increase the bank's statutory ceiling on its aggregate outstanding loans, guarantees, and insurance. The bill would rename the Tied Aid Credit Program and expand its use. It also would authorize new efforts by the U.S. government to bring export financing (so called "market windows") offered by certain foreign banks owned or supported by their governments and untied foreign aid into compliance with the terms of the export credit arrangement among the major exporting countries. It also would direct the bank to expand outreach to small business exporters and exporters owned by socially disadvantaged individuals and women, and would increase the Eximbank's set-aside for financing exports by small businesses from 10 percent to 20 percent of its credit obligations and commitments. Finally, the bill would establish new offices within the Eximbank for small business and Africa, and would require additional reports.

Assuming the appropriation of the necessary amounts, CBO estimates that implementing H.R. 2871 would cost $215 million in 2002 and $3.1 billion over the 2002-2006 period. In addition, the bill contains provisions that would increase obligations from available balances in the Tied Aid Credit Fund. CBO estimates implementing those provisions would increase direct spending by $9 million in 2002 and $128 million over the 2002-2006 period. Because the bill would affect direct spending, pay-as-you-go procedures would apply.

H.R. 2871 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2871 is shown in the following table. The costs of this legislation fall within budget function 150 (international affairs).

	By Fiscal Year, in Millions of Dollars					
	2001	2002	2003	2004	2005	2006
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law for Eximbank						
Estimated Authorization Level [a]	910	49	41	37	31	31
Estimated Outlays	813	628	306	186	102	68
Proposed Changes						
Estimated Authorization Level [b]	0	902	933	960	985	46
Estimated Outlays	0	215	585	738	848	680
Spending Under H.R. 2871 for Eximbank						
Estimated Authorization Level [a, b]	910	951	974	997	1,016	77
Estimated Outlays	813	843	891	924	950	748
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	0	0	0	0	0	0
Estimated Outlays	0	9	25	31	35	28

a. The 2001 level is the amount appropriated for that year. The 2002-2006 levels are the estimated amounts necessary for administrative costs to service loans made through fiscal year 2001.

b. The estimate assumes that funding for Eximbank credit subsidies would continue at the 2001 level adjusted for inflation. Funding at the 2001 level without adjustments for inflation would lower outlays by $5 million in 2002 and by $135 million over the 2002-2006 period.

BASIS OF ESTIMATE

The Eximbank provides about $12 billion annually in loans and guarantees to finance the export of U.S. goods and services. H.R. 2871 would extend the Eximbank's authority to provide financing through 2005, an additional four years. The estimate assumes the Eximbank would receive appropriations for administrative expenses and for the cost of new loans and guarantees, as defined by the Federal Credit Reform Act, at the start of each fiscal year and that outlays would follow historical patterns.

Spending Subject to Appropriation

CBO's estimate of spending under current law for 2002 through 2006 show the amounts estimated to be necessary for administrative expenses to service outstanding credits if the program were not reauthorized. Under the bill, CBO estimates that Eximbank could increase financing from $12 billion to $14 billion a year over the 2002-2005 period with a subsidy appropriation comparable to the 2001 level adjusted for inflation. Subsidy appropriations at those levels would support an increase in financing relative to 2001 because the Administration's economic and technical assumptions for 2002 would lower the estimated cost, as defined by the Federal Credit Reform Act, of all Eximbank financing. That is, the Administration projects a drop in the average subsidy rate for Eximbank loans. For example, CBO estimates that a program level of $13 billion in new credits in 2002 would require $100 million less in subsidy appropriations than it did in 2001.

The bill would authorize the bank to undertake special outreach programs for small businesses and businesses owned by socially disadvantaged individuals and women. H.R. 2871 would direct the bank to create an office for small business exporters and an office on Africa. It also would direct the bank to invest in management technology. To pay for these activities, the bill would authorize an appropriation of $80 million for administrative expenses in 2002 and similar amounts, adjusted for annual inflation, over the 2003-2005 period.

The bill would increase the ceiling on the aggregate level of outstanding loans, guarantees, and insurance to $100 billion in 2002 with an annual increase of $10 billion plus inflation over the 2003-2005 period. Because the current ceiling of $75 billion has not constrained the bank's financing activity, CBO estimates that increasing the ceiling would not, in itself, result in additional financing.

Direct Spending

The bill would change the name of the Tied Aid Credit Fund to the Export Competitiveness Fund and would set more permissive standards for using the fund. According to the Eximbank, it has about $325 million in unobligated balances designated as the Tied Aid Credit Fund. Monies in the fund are available until expended, but its use has been limited in recent years to defending the existing export-credit arrangement of the Organization for Economic Cooperation and Development, averaging $10 million in obligations a year since 1994. In addition, the bill would limit the Secretary of Treasury's authority to veto individual transactions and would authorize the Eximbank to use the Tied Aid Credit Fund to offer financing on terms and conditions more generous than permitted under the existing arrangement, if necessary, to further negotiations to bring the terms of market windows and untied foreign aid into compliance with the export-credit arrangement.

CBO estimates that, under the provisions outlined above, obligations from the fund would increase to levels similar to those experienced before 1994, or about $50 million a year. We estimate that change would increase outlays by $9 million in 2002 and $128 million over the 2002-2006 period.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the budget year and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Changes in outlays	9	25	31	35	28	12	7	3	1	1
Changes in receipts	Not applicable									

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

This bill contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

ESTIMATE PREPARED BY:

Federal Costs: Joseph C. Whitehill
Impact on State, Local, and Tribal Governments: Elyse Goldman
Impact on the Private Sector: Paige Piper/Bach

ESTIMATE APPROVED BY:

Peter H. Fontaine
Deputy Assistant Director for Budget Analysis